



**August  
2023**

**Financial Statements  
and Management's  
Discussion & Analysis**

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## Management's Discussion and Analysis

### Results of Operations

Catalyst Corporate's net income for the eight months ended August 31, 2023 and 2022 totaled \$38,166,390 and \$28,290,963, respectively. August year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.1% and 77.4%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the eight months ended August 31, 2023 and 2022 is included in the following table.

	YTD Aug 2023	YTD Aug 2022
Net interest income	<b>\$37,840,109</b>	\$15,735,156
Recapture of loan losses	-	6,915
Net fee income	<b>27,366,428</b>	27,639,887
Operating expenses	<b>(39,609,147)</b>	(35,705,378)
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income	<b>10,999,780</b>	20,642,325
Non controlling interest	<b>1,569,220</b>	1,167,099
Net income	<b>\$38,166,390</b>	\$28,290,963

<b>Key Information:</b>		
Net operating expense	<b>\$12,242,719</b>	\$8,065,491
Perpetual contributed capital (PCC)	<b>\$190,766,017</b>	\$186,582,231
Retained earnings	<b>\$223,287,592</b>	\$183,706,259
Operating efficiency ratio	<b>69.1%</b>	77.4%
Return on assets	<b>1.40%</b>	1.07%
Leverage / Tier 1 capital ratio	<b>9.90%</b>	9.16%
Retained earnings ratio	<b>5.47%</b>	4.64%
Daily average net assets – 12 month rolling	<b>\$4,084,622,569</b>	\$3,956,017,686
Monthly average EBA balance transfer to FRB	<b>\$2,426,502,481</b>	\$4,611,236,989

## Credit Risk

The weighted average life of assets is 1.165 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.825 years. As of August 31, 2023, Catalyst Corporate's investments are comprised as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss) Gain</b>
Asset-backed securities	\$1,143,388,389	\$1,136,353,285	(\$7,035,104)
Agency commercial mortgage-backed securities	608,448,836	591,029,834	(17,419,002)
U.S. Treasury securities	67,780,540	66,034,385	(1,746,155)
Agency mortgage-backed securities	83,515,147	80,189,125	(3,326,022)
Corporate debt obligations	36,776,038	36,581,375	(194,663)
Federal agency securities	959,520	963,650	4,130
<b>Total</b>	<b>\$1,940,868,470</b>	<b>\$1,911,151,654</b>	<b>(\$29,716,816)</b>

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of August 31, 2023:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized Loss</b>
Credit card	\$395,363,079	\$391,221,573	(\$4,141,506)
Automobile	370,910,105	370,124,751	(785,354)
FFELP student loan	259,653,668	257,870,196	(1,783,472)
Equipment	117,461,537	117,136,765	(324,772)
<b>Total</b>	<b>\$1,143,388,389</b>	<b>\$1,136,353,285</b>	<b>(\$7,035,104)</b>

## Interest Rate Risk

Catalyst Corporate's primary method of monitoring interest rate risk is through the net economic value (NEV) test. The NEV test measures the dollar and percentage potential change in the fair value of Catalyst Corporate's capital (perpetual contributed capital and retained earnings) given a parallel, instantaneous, and permanent 300 basis point upward and downward change in the yield curve. The objective of the NEV test is to measure whether Catalyst Corporate has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

A summary of Catalyst Corporate's NEV test as of August 31, 2023 is as follows (in thousands):

	<b>Fair Value</b>	<b>Fair Value +300 Basis Points</b>	<b>Fair Value -300 Basis Points</b>
<b>NEV</b>	\$379,100	\$301,600	\$463,600
<b>% Change in NEV</b>	-	(20.4%)	22.3%

The percentage changes to Catalyst Corporate's NEV under either rate shock are under the 35 percent NCUA regulatory limit under Part I Expanded Authority.

## Liquidity Risk

Liquidity risk pertains to whether Catalyst Corporate has sufficient short-term assets, marketable securities, and borrowing capacity to meet member credit unions' potential liquidity needs.

As of August 31, 2023, Catalyst Corporate has \$1,790,173,638 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$1,093,367,094 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$448,825,562 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$200,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC, all of which are secured with qualified investment securities. Additionally, Catalyst Corporate has access to a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of August 31, 2023. Catalyst Corporate has \$150,000,000 outstanding advance as of August 31, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$405,549,891 and additional uncommitted LOCs to members of \$10,878,975,562 as of August 31, 2023. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

## Regulatory Capital

Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of August 31, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of August 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	<b>5.47%</b>	N/A	N/A
Leverage / Tier 1 capital ratio	<b>9.90%</b>	4.00%	5.00%
Tier 1 risk-based capital ratio	<b>33.10%</b>	4.00%	6.00%
Total risk-based capital ratio	<b>33.10%</b>	8.00%	10.00%

## Consolidated Statements of Financial Condition

(Unaudited)

August 31,	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$1,790,173,638	\$1,370,750,506
Investments:		
Available-for-sale	1,911,151,654	1,922,162,276
Central Liquidity Facility (CLF) capital stock	-	99,098,382
Other investments	44,573,933	36,077,081
Loans, net of allowance of \$12,223 and \$37,634 as of August 31, 2023 and 2022, respectively	405,549,891	553,355,180
Accrued receivables and other assets	44,881,541	38,003,758
Property and equipment, net	14,441,028	13,994,838
Goodwill and other intangible assets	7,004,220	7,414,220
National Credit Union Share Insurance Fund (NCUSIF)	2,354,026	2,443,766
<b>Total assets</b>	<b>\$4,220,129,931</b>	<b>\$4,043,300,007</b>
<b>Liabilities</b>		
Members' shares and certificates	\$3,654,185,081	\$3,667,214,824
Borrowed funds	150,000,000	-
Accrued expenses and other liabilities	22,889,175	19,659,801
<b>Total liabilities</b>	<b>3,827,074,256</b>	<b>3,686,874,625</b>
<b>Members' Equity</b>		
PCC	190,766,017	186,582,231
Retained earnings	223,287,592	183,706,259
Non controlling interest	9,404,020	11,956,790
Accumulated other comprehensive loss	(30,401,954)	(25,819,898)
<b>Total members' equity</b>	<b>393,055,675</b>	<b>356,425,382</b>
<b>Total liabilities and members' equity</b>	<b>\$4,220,129,931</b>	<b>\$4,043,300,007</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

## Consolidated Statements of Income

(Unaudited)

	For the eight months ended August 31,	
	2023	2022
<b>Interest income</b>		
Available-for-sale investments	\$44,582,421	\$14,703,280
Federal Reserve Bank	64,148,789	7,197,330
Loans	17,831,042	4,163,833
Other	1,643,090	593,590
Total interest income	128,205,342	26,658,033
<b>Interest expense</b>		
Members' shares and certificates	\$87,004,002	10,451,250
Borrowed funds	3,361,231	471,627
Total interest expense	90,365,233	10,922,877
Net interest income	37,840,109	15,735,156
<b>Recapture of loan losses</b>	-	6,915
Net interest income after recapture of loan losses	37,840,109	15,742,071
<b>Net fee income</b>		
Share draft and depository processing fees	14,916,972	13,817,073
Off-balance-sheet income	6,325,294	8,138,369
Other fee income	12,498,449	12,021,328
Outside processing and service costs	(6,374,287)	(6,336,883)
Total net fee income	27,366,428	27,639,887
<b>Operating expenses</b>		
Compensation and benefits	28,800,162	25,969,449
Information technology	6,421,769	5,695,858
Professional fees	1,270,069	1,353,937
Office occupancy	826,221	824,228
Other operating expense	2,290,926	1,861,906
Total operating expenses	39,609,147	35,705,378
<b>April 2022 fee waiver</b>	-	(2,835,941)
<b>Other net gains</b>	-	1,640,900
<b>Other income</b>	10,999,780	20,642,325
<b>Non controlling interest</b>	1,569,220	1,167,099
<b>Net income</b>	<b>\$38,166,390</b>	<b>\$28,290,963</b>
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		



## Consolidated Statement of Comprehensive Income

(Unaudited)

For the eight months ended August 31,	2023
Net income	\$38,166,390
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	4,087,476
Net unrealized holding losses on derivatives designated as cash flow hedges	(314,151)
Total other comprehensive income	3,773,325
Comprehensive income	\$41,939,715
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

## Consolidated Statement of Members' Equity

(Unaudited)

For the eight months ended August 31, 2023

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive (Loss)/Income	Total
Balance at December 31, 2022	\$187,417,762	\$192,161,001	\$10,973,240	(\$34,175,279)	\$356,376,724
Net income (loss)		38,166,390	(1,569,220)		36,597,170
PCC issued	3,348,255				3,348,255
Dividends paid on PCC		(7,039,799)			(7,039,799)
Other comprehensive income				3,773,325	3,773,325
Balance at August 31, 2023	\$190,766,017	\$223,287,592	\$9,404,020	(\$30,401,954)	\$393,055,675
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>					

## Notes to Consolidated Financial Statements

### 1. Cash and Cash Equivalents

Cash on deposit and cash items in the process of collection from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents in the consolidated statements of financial condition.

### 2. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of August 31, 2023 are as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss) Gain</b>
Asset-backed securities	\$1,143,388,389	\$1,136,353,285	(\$7,035,104)
Agency commercial mortgage-backed securities	608,448,836	591,029,834	(17,419,002)
U.S. Treasury securities	67,780,540	66,034,385	(1,746,155)
Agency mortgage-backed securities	83,515,147	80,189,125	(3,326,022)
Corporate debt obligations	36,776,038	36,581,375	(194,663)
Federal agency securities	959,520	963,650	4,130
<b>Total</b>	<b>\$1,940,868,470</b>	<b>\$1,911,151,654</b>	<b>(\$29,716,816)</b>

### 3. Other Investments

Other investments are comprised of the following as of August 31, 2023:

Investments in credit union service organizations (CUSOs)	\$7,568,233
Interest-bearing certificates of deposit	32,557,000
FHLB capital stock	2,448,700
Other	2,000,000
<b>Total</b>	<b>\$44,573,933</b>

Investments in CUSOs includes equity method investments in Primary Financial, LLC and CU Business Group, LLC and investments carried at cost, less impairments, if any, which include investments in CO-OP, CURQL Fund I, LLP, Constellation Digital Partners, LLC, CU Investment Solutions, LLC, Members Development Company, LLC, and PSCU.

## 4. Loans

The composition of loans is as follows as of August 31, 2023:

Open-end credit lines	\$118,292,704
Term loans	287,040,408
Loan participations, net of allowance	216,779
Total	\$405,549,891

## 5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of August 31, 2023:

Daily shares	\$3,427,662,781
Share certificates	226,522,300
Total	\$3,654,185,081

Catalyst Corporate members transferred \$2,330,289,767 to the Excess Balance Account at the Federal Reserve Bank as of August 31, 2023.

## 6. U.S. Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to the capital holders of the U.S. Central Asset Management Estate (USC AME). Catalyst Corporate holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia Corporate) and First Corporate Federal Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately \$110,494,000. In September 2023, Catalyst Corporate received approximately \$5,765,000. As such, as of September 2023, Catalyst Corporate has received six distributions since 2021 totaling approximately \$106,394,000 with the remaining \$4,100,000 projected to be received in 2024.

In 2022, a portion of the funds received from the USC AME was distributed to former member credit unions of Georgia Corporate and First Corporate that are capitalized PCC members of Catalyst Corporate. The amount distributed in 2022 totaled approximately \$53,014,000 and was equal to the capital that these member credit unions lost at either Georgia Corporate or First Corporate. Additionally, Catalyst waived one month of member services fees in 2022 totaling \$2,836,000.